

Financial Consumer Agency of Canada
FINANCIAL STATEMENTS

For the three and six months ended September 30, 2016

Statement of Management Responsibility Including Internal Control over Financial Reporting

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with International Accounting Standard 34: Interim Financial Reporting, and for such internal controls as management determines are necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information contained in this quarterly financial report is consistent, where appropriate, with the accompanying quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Financial Consumer Agency of Canada, as at the date of and for the periods presented in the quarterly financial statements.

Lucie M.A. Tedesco
Commissioner,
Financial Consumer Agency of Canada

Brigitte Goulard
Deputy Commissioner
Chief Financial Officer

Ottawa, Canada
November 22, 2016

Financial Consumer Agency of Canada

Statement of Financial Position

(in Canadian dollars)	Note(s)	September 30, 2016 (unaudited)	March 31, 2016
ASSETS			
Current assets			
Cash entitlement		\$ 1,361,129	\$ 2,325,320
Trade receivables, net	6	2,000	88,551
Accrued assessments	6	6,438,250	-
Other receivables	6	297,392	16,663
Prepaid expenses		69,369	90,041
Non-current assets			
Property, plant and equipment	8	341,757	311,115
Intangible assets	9	714,575	789,835
TOTAL ASSETS		\$ 9,224,472	\$ 3,621,525
LIABILITIES			
Current liabilities			
Loan payable		\$ 6,000,000	\$ -
Trade and other payables	7,14	2,200,599	2,634,573
Unearned assessments		445,055	445,055
Employee benefits - sick leave	10	398,594	370,363
Employee benefits - severance	10	17,779	9,764
Non-current liabilities			
Employee benefits - severance	10	176,414	175,739
Total liabilities		9,238,441	3,635,494
DEFICIENCY			
Accumulated deficit	16	(13,969)	(13,969)
TOTAL LIABILITIES AND DEFICIENCY		\$ 9,224,472	\$ 3,621,525

Operating lease arrangements and other commitments 12

The accompanying notes are an integral part of these financial statements

Approved by:

Lucie M.A. Tedesco
Commissioner
Financial Consumer Agency of Canada

Brigitte Goulard
Deputy Commissioner
Chief Financial Officer

Financial Consumer Agency of Canada

Statement of Operations

(in Canadian dollars)	Note	For the three months ended September 30, 2016 (unaudited)	For the three months ended September 30, 2015 (unaudited)	For the six months ended September 30, 2016 (unaudited)	For the six months ended September 30, 2015 (unaudited)
REVENUE					
Assessments		\$ 3,422,487	\$ 2,836,588	\$ 6,444,250	\$ 5,671,341
Other Revenue		591	924	2,951	939
Total revenue		3,423,078	2,837,512	6,447,201	5,672,280
EXPENSES					
Salaries and benefits		3,010,699	2,623,304	5,921,958	5,149,008
Professional services		727,979	666,996	1,090,841	1,158,082
Information management/technology		223,645	196,823	444,301	465,538
Accommodation		188,819	201,819	375,836	393,572
Travel		51,639	54,842	114,304	95,771
Administrative and other		47,494	63,624	79,835	104,475
Interest	14	3,467	4,291	3,573	14,858
Total expenses		4,253,742	3,811,699	8,030,648	7,381,304
Net results of operations before government funding and administrative monetary penalties		(830,664)	(974,187)	(1,583,447)	(1,709,024)
Government funding	15	830,664	974,187	1,583,447	1,709,024
Net results of operations before administrative monetary penalties		-	-	-	-
Administrative monetary penalties	11	-	-	-	-
Administrative monetary penalties earned on behalf of the government	11	-	-	-	-
Net results of operations		\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

Financial Consumer Agency of Canada

Statement of Other Comprehensive Income

		For the three months ended September 30, 2016 (unaudited)	For the three months ended September 30, 2015 (unaudited)	For the six months ended September 30, 2016 (unaudited)	For the six months ended September 30, 2015 (unaudited)
(in Canadian dollars)	Note				
Net results of operations		-	-	\$ -	\$ -
Other comprehensive income					
Remeasurement gains (losses) on defined benefit plans	10	-	-	-	-
Total comprehensive income		\$ -	\$ -	\$ -	\$ -

The remeasurement gains and losses that comprise FCAC's other comprehensive income are usually recognized in March of each year when FCAC performs an actuarial valuation of its defined benefit plans.

The accompanying notes are an integral part of these financial statements

Financial Consumer Agency of Canada

Statement of Changes in Deficiency

(in Canadian dollars)

	Accumulated deficit (unaudited)
Deficit as at March 31, 2015	\$ (13,969)
Net results of operations	23,718
Other comprehensive income	(23,718)
Deficit as at March 31, 2016	(13,969)
Net results of operations	-
Other comprehensive income	-
Deficit as at September 30, 2016	\$ (13,969)

The accompanying notes are an integral part of these financial statements

Financial Consumer Agency of Canada

Statement of Cash Flows

		For the three months ended September 30, 2016	For the three months ended September 30, 2015	For the six months ended September 30, 2016	For the six months ended September 30, 2015
(in Canadian dollars)	Note	(unaudited)	(unaudited)	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from financial entities and other government departments		\$ 880,999	\$ 1,066,838	\$ 1,735,310	\$ 6,729,933
Cash paid to suppliers and employees		(4,224,482)	(4,249,937)	(8,557,952)	(8,569,196)
Interest paid	14	-	-	-	(22,246)
Net cash used in operating activities		(3,343,483)	(3,183,099)	(6,822,642)	(1,861,509)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	8	(24,412)	-	(108,527)	(25,679)
Acquisition of intangible assets	9	-	(23,683)	(33,022)	(69,883)
Net cash used in investing activities		(24,412)	(23,683)	(141,549)	(95,562)
CASH FLOWS FROM FINANCING ACTIVITIES					
New borrowings	14	4,000,000	3,000,000	6,000,000	5,000,000
Repayments		-	-	-	(4,000,000)
Net cash provided by financing activities		4,000,000	3,000,000	6,000,000	1,000,000
NET INCREASE (DECREASE) IN CASH ENTITLEMENT		632,105	(206,782)	(964,191)	(957,071)
CASH ENTITLEMENT, BEGINNING OF THE PERIOD		729,024	900,449	2,325,320	1,650,738
CASH ENTITLEMENT, END OF PERIOD		\$ 1,361,129	\$ 693,667	\$ 1,361,129	\$ 693,667

The accompanying notes are an integral part of these financial statements

Financial Consumer Agency of Canada

Notes to the Financial Statements

**For the three and six months ended September 30, 2016 (unaudited)
(in Canadian dollars)**

1. Authority and objectives

On October 24, 2001, the *Financial Consumer Agency of Canada Act* (the Act) came into force, establishing the Financial Consumer Agency of Canada (FCAC, or the Agency). The Financial Consumer Agency of Canada was established to protect consumers by supervising federally regulated financial entities and by strengthening the financial literacy of Canadians. The Agency is a department of the Government of Canada and is listed in Schedule I.1 of the *Financial Administration Act*. The Government of Canada is FCAC's parent and ultimate controlling party of FCAC.

FCAC is a federal government agency established under the *Financial Consumer Agency of Canada Act* (FCAC Act). It fulfills the roles listed in sections 3. (2) and 3. (3) of the FCAC Act.

3. (2) The objects of the Agency are to

(a) supervise financial institutions and external complaints bodies to determine whether the institution or body is in compliance with

(i) the consumer provisions applicable to them, and

(ii) the terms and conditions or undertakings with respect to the protection of customers of financial institutions that the Minister imposes or requires, as the case may be, under an Act listed in Schedule 1 and the directions that the Minister imposes under this Act;

(b) promote the adoption by financial institutions and external complaints bodies of policies and procedures designed to implement the provisions, terms and conditions, undertakings or directions referred to in paragraph (a);

(b.1) promote the adoption by financial institutions of policies and procedures designed to implement

(i) voluntary codes of conduct that are designed to protect the interests of their customers, that are adopted by financial institutions and that are publicly available, and

(ii) any public commitments made by them that are designed to protect the interests of their customers;

(c) monitor the implementation of voluntary codes of conduct that are designed to protect the interests of customers of financial institutions, that have been adopted by financial institutions and that are publicly available and to monitor any public commitments made by financial institutions that are designed to protect the interests of their customers;

(d) promote consumer awareness about the obligations of financial institutions and of external complaints bodies under consumer provisions applicable to them and about all matters connected with the protection of consumers of financial products and services;

Financial Consumer Agency of Canada

Notes to the Financial Statements

**For the three and six months ended September 30, 2016 (unaudited)
(in Canadian dollars)**

1. Authority and objectives (continued)

(e) foster, in co-operation with any department, agency or agent corporation of the Government of Canada or of a province, financial institutions and consumer and other organizations, an understanding of financial services and issues relating to financial services;

(f) monitor and evaluate trends and emerging issues that may have an impact on consumers of financial products and services;

(g) collaborate and coordinate its activities with stakeholders to contribute to and support initiatives to strengthen the financial literacy of Canadians.

3. (3) The objects of the Agency are also to

(a) supervise payment card network operators to determine whether they are in compliance with the provisions of the *Payment Card networks Act* and its regulations;

(b) promote the adoption by payment card network operators of policies and procedures designed to implement the provisions of the *Payment Card networks Act* and its regulations;

(c) monitor the implementation of voluntary codes of conduct that have been adopted by payment card network operators and that are publicly available, and to monitor any public commitments made by them regarding their commercial practices in relation to payment card networks; and

(d) promote public awareness about the obligations of payment card network operators under a voluntary code of conduct or under the *Payment Card networks Act*.

Section 18(3) of the Act provides that the Agency's costs of operations are to be assessed to the industry. Pursuant to section 13(2) of the Act, FCAC's operations are typically funded entirely through this process. FCAC is, however, entitled to a statutory expenditure as authorized under section 13(3) of the Act.

FCAC's assessment revenues are charged in accordance with the *Financial Consumer Agency of Canada Assessment of Financial Institutions Regulations* and FCAC's financial assessment methodology of payment card network operators and external complaints bodies, which outline the methodologies used to determine each institution's assessment.

The Agency manages its working capital requirements by borrowing funds from the Government of Canada as authorized under section 13(1) of the Act.

Financial Consumer Agency of Canada

Notes to the Financial Statements

**For the three and six months ended September 30, 2016 (unaudited)
(in Canadian dollars)**

2. Background information

The financial statements for the period ended September 30, 2016 were authorized for issue by the Commissioner of the Financial Consumer Agency of Canada on November 22, 2016. The head office is located at 427 Laurier Avenue West in Ottawa, Ontario, Canada. FCAC's principal activities are described in Note 1.

3. Basis of presentation

The financial statements have been prepared on a historical cost basis, except for cash entitlement that has been measured at fair value.

The financial statements are presented in Canadian dollars because that is the currency of the primary economic environment in which FCAC operates.

Statement of compliance

The financial statements of FCAC have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The accounting policies used in the financial statements are based on the IFRS applicable as at June 30, 2016, and encompass individual IFRS, International Accounting Standards (IAS), and interpretations made by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). The policies set out below are consistently applied to all periods presented.

4. Summary of significant accounting policies

The significant accounting policies of FCAC are set out below:

a) Cash entitlement

FCAC does not have its own bank account. All of the financial transactions of the Agency are processed through the Consolidated Revenue Fund (CRF), a banking facility administered by the Receiver General for Canada. FCAC's cash entitlement represents the amount the Agency is entitled to withdraw from the CRF without further authority. This amount does not earn interest.

b) Financial instruments

The classification of financial instruments is determined by FCAC at initial recognition and depends on the purpose for which the financial assets were acquired or liabilities were incurred. All financial instruments are recognized initially at fair value.

The fair value of financial instruments on initial recognition is based on the transaction price, which represents the fair value of the consideration given or received. Subsequent to initial recognition, financial instruments are measured based on the accounting treatment corresponding to their classification.

Financial Consumer Agency of Canada

Notes to the Financial Statements

**For the three and six months ended September 30, 2016 (unaudited)
(in Canadian dollars)**

4. Summary of significant accounting policies (continued)

Classification	Accounting Treatment
Fair value through net results	Cash entitlement is classified as "Fair value through net results." Cash entitlement is measured at fair value.
Loans and receivables	Trade receivables and other receivables are classified as "Loans and receivables." Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not debt securities. Subsequent to initial recognition, Loans and receivables are measured at amortized cost using the effective interest method. Any gain, loss or interest income is recorded in revenues or expenses depending on the nature of the loan and receivable that gave rise to the gain, loss or interest income.
Other financial liabilities	Trade and other payables, and Unearned assessments are classified as "Other financial liabilities." Other financial liabilities are non-derivative financial liabilities that have not been designated at fair value. Subsequent to initial recognition, Other financial liabilities are measured at amortized cost using the effective interest method. Any gain, loss or interest expense is recorded in revenues or expenses depending on the nature of the financial liability that gave rise to the gain, loss or interest expense.

Impairment of financial assets – FCAC assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Financial Consumer Agency of Canada

Notes to the Financial Statements

**For the three and six months ended September 30, 2016 (unaudited)
(in Canadian dollars)**

4. Summary of significant accounting policies (continued)

For financial assets carried at amortized cost FCAC first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If FCAC determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the *Statement of operations*.

c) Property, plant and equipment

Property, plant and equipment is stated at historical cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Historical cost includes the cost of replacing parts of property, plant and equipment when incurred, if the recognition criteria are met. Repair and maintenance costs are recognized in the *Statement of operations* as incurred.

Amortization is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Assets	Useful Life
Furniture and fixtures	7 years
Leasehold improvements	lesser of useful life or remaining term of the lease
Informatics software	5 years
Office equipment	4 years
Informatics hardware	3 or 4 years

Software is capitalized as property, plant and equipment when the software is integral to the use of the related hardware. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

Financial Consumer Agency of Canada

Notes to the Financial Statements

For the three and six months ended September 30, 2016 (unaudited)

(in Canadian dollars)

4. Summary of significant accounting policies (continued)

d) Intangible assets

Intangible assets consist of internally developed and externally purchased software that is not an integral part to the related hardware.

Following initial recognition of the development expenditure as an asset, the historical cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Intangible assets acquired separately are measured on initial recognition at cost. The cost of internally developed software consists of directly attributable costs necessary to create, produce, and prepare the software to be capable of operating in the manner intended by FCAC.

FCAC holds intangible assets that have finite lives and are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method is reviewed at least at each financial year end. Amortization is calculated using the straight-line method over their estimated useful lives of five years and is recorded in the relevant expense line item depending on the business activity to which the expense pertains.

Amortization of the assets begins when development is complete and the assets are available for use. They are amortized over the period of expected future benefit.

Costs incurred during the pre-development stage are expensed in the period incurred.

e) Impairment of non-financial assets

FCAC assesses at each reporting date whether there are any internal indicators that an asset may be impaired (e.g. damaged assets or assets no longer being used). If any indication exists, or when annual impairment testing for an asset is required, FCAC estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. There is no risk of not recovering the carrying amount of the asset given FCAC's cost recovery business model.

FCAC assesses internally developed intangible assets not yet in use for impairment on an annual basis.

f) Employee benefits

i) Short-term benefits

Short term benefits are recorded in the *Statement of operations* when an employee has rendered the service. Unpaid short-term compensated leave that has vested at the reporting date are accrued at year end and not discounted. Short-term compensated leave expected to occur within twelve months of the reporting date is classified as short-term employee benefits. FCAC contributes to the Government of Canada sponsored Public Service Health Care Plan and Dental Service Plan for employees.

Financial Consumer Agency of Canada

Notes to the Financial Statements

For the three and six months ended September 30, 2016 (unaudited) (in Canadian dollars)

4. Summary of significant accounting policies (continued)

ii) Post employment benefits

Pension benefits

Substantially all of the employees of FCAC are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and FCAC to cover current service cost. Pursuant to legislation currently in place, FCAC has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of FCAC.

Severance

On termination of employment, employees are entitled to certain benefits provided for under their conditions of employment through a severance benefits plan. The cost of these benefits is accrued as the employees render their services necessary to earn severance benefits and represents the only obligation of FCAC for severance benefits. The severance benefits are based upon the final salary of the employee.

The cost of benefits is actuarially determined as at March 31 of each year using the projected benefit method prorated on services. The obligation is unfunded. The valuation of the liability is based upon a current market discount rate which is based on the market yields at the *Statement of financial position* date on high quality corporate bonds, and other actuarial assumptions, which represent management's best long-term estimates of factors such as future wage increases and employee resignation rates. All actuarial gains (losses) are recognized in Other Comprehensive Income in the *Statement of other comprehensive income*.

Other benefits

The Government of Canada sponsors a variety of other benefit plans from which former employees may benefit upon retirement. The Public Service Health Care Plan and the Pensioners' Dental Service Plan are the two major plans available to FCAC retirees. These are defined benefit plans sponsored by the Government of Canada. Contributions are required by FCAC to cover current service cost. Pursuant to legislation currently in place, FCAC has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total obligation of FCAC with respect to these plans.

iii) Other long-term benefits

Sick Leave

Employees are eligible to accumulate sick leave until retirement or termination. Unused sick leave is not eligible for payment on retirement or termination, nor can it be used as vacation. All sick leave is an accumulating non-vesting benefit. A liability is recorded for sick leave balances expected to be taken in excess of future allotments.

The cost of sick leave as well as the present value of the obligation is determined using an actuarial valuation. Any gains and losses are recognized in net results in the period in which they arise.

Financial Consumer Agency of Canada

Notes to the Financial Statements

**For the three and six months ended September 30, 2016 (unaudited)
(in Canadian dollars)**

4. Summary of significant accounting policies (continued)

g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases (net of any incentives received from the lessor) are charged to the *Statement of operations* on a straight line basis over the period of the lease.

FCAC does not have the borrowing authority to enter into lease agreements that are classified as finance leases. FCAC has established procedures to review all lease agreements and identify if the proposed terms and conditions would result in a transfer to FCAC of substantially all the benefits and risks incidental to ownership.

FCAC records the costs associated with operating leases in the *Statement of operations* in the period in which they are incurred.

h) Government funding

Government funding is recognized when there is reasonable assurance that the funding will be received and when all attached conditions have been complied with. When the funding relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. The funding and corresponding expense item are recognized at their gross amounts.

i) Revenue recognition

FCAC recognizes revenue so as to recover its expenses. Any amounts that have been billed for which costs have not been incurred are classified as unearned assessments on the *Statement of financial position*. Revenue is recorded in the accounting period in which it is earned (service provided) whether or not it has been billed or collected. At March 31 of each year, amounts may have been collected in advance of the incurrence of costs or provision of services, alternatively, amounts may not have been collected and are owed to FCAC. FCAC assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. FCAC has concluded that it is acting as a principal in all of its revenue arrangements.

Assessments - Revenue from assessments is recognized based on actual costs incurred. The assessments are charged to recover costs and all costs are considered recoverable. Assessments are billed annually based on an estimate of the current fiscal year's costs of operations together with an adjustment for any differences between the previous year's assessed costs and actual. The assessment process is undertaken before December 31 in each year, in accordance with section 18(1) of the Act. As a result, at March 31 of each year, amounts may have been collected in advance of the incurrence of costs or, alternatively, funds may be owed to the Agency to fund its costs of operations.

The Commissioner may issue administrative monetary penalties when violations to consumer provisions occur. These penalties are imposed in cases where the Commissioner believes that there has been either a violation of the consumer provisions or non-compliance with any Compliance Agreement entered into pursuant to an act listed in Schedule 1 of the FCAC Act. The penalty amount may be as high as \$50,000 for an individual and \$500,000 for an institution. Penalties levied by FCAC are non-respondable and are to be remitted to the CRF. The funds are not available to FCAC and, as a result, the penalties do not reduce the amount that FCAC assesses the industry in respect of its operating costs.

Financial Consumer Agency of Canada

Notes to the Financial Statements

**For the three and six months ended September 30, 2016 (unaudited)
(in Canadian dollars)**

5. Significant accounting judgments, estimates and assumptions

The preparation of FCAC's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in which case, the impact will be recognized in the financial statements of a future fiscal period.

Judgments

In the process of applying its accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

Operating lease commitments – FCAC as lessee

Public Works and Government Services Canada (PWGSC) enters into commercial property leases for FCAC's office space and recovers such cost from FCAC. FCAC also enters into leases for certain office equipment. FCAC has determined, based on an evaluation of the terms and conditions of the arrangements, that significantly all of the risks and rewards of ownership have not been transferred to FCAC and as such accounts for these contracts as operating leases.

Administrative monetary penalties – FCAC as principal

FCAC has determined it is the principal in the arrangement and has recorded revenue on a gross basis.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the *Statement of financial position* date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated useful lives of assets

The estimated useful lives of property, plant and equipment and intangible assets are based on management's intentions with respect to the asset, historical experience with the asset, internal asset management plans and other factors as determined by management. The useful lives are reviewed on an annual basis and any revisions to the useful lives are accounted for prospectively.

Financial Consumer Agency of Canada

Notes to the Financial Statements

**For the three and six months ended September 30, 2016 (unaudited)
(in Canadian dollars)**

5. Significant accounting judgments, estimates and assumptions (continued)

Severance benefits

The cost of defined benefit severance plan as well as the present value of the obligation is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, and departure rates. All assumptions are reviewed annually as at March 31. In determining the appropriate discount rate management considers the interest rates of corporate bonds in Canada with AAA or AA ratings and with maturities matching the estimated cash flows of the severance payments. Departure rates are based on experience from the public service of Canada and include mortality, disability, termination and retirement. Future salary increases are based on expected future inflation rates in Canada.

Further details about the assumptions used are given in Note 10(a).

Sick leave

The cost of sick leave as well as the present value of the obligation is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, usage rates, and departure rates. All assumptions are reviewed annually as at March 31. In determining the appropriate discount rate management considers the interest rates of corporate bonds in Canada with AAA or AA ratings and with maturities matching the estimated sick leave usage. Departure rates are based on experience from the public service of Canada and include mortality, disability, termination and retirement. Future salary increases are based on expected future inflation rates in Canada.

There are no other accounting assumptions or estimates that have been identified to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next fiscal year.

Financial Consumer Agency of Canada

Notes to the Financial Statements

For the three and six months ended September 30, 2016 (unaudited)
(in Canadian dollars)

6. Trade and other receivables

The breakdown of all amounts owing to FCAC, by type is as follows:

	Federally regulated financial entities	Other	Total September 30, 2016
Trade receivables	\$ 2,000	\$ -	\$ 2,000
Allowance for doubtful accounts	-	-	-
Trade receivables, net	2,000	-	2,000
Other			
Related parties	-	95,183	95,183
Other receivables	-	202,209	202,209
Total other	-	297,392	297,392
Accrued assessments	6,438,250	-	6,438,250
Total	\$ 6,440,250	\$ 297,392	\$ 6,737,642
% of Total exposure	95.6 %	4.4 %	100.0 %

	Federally regulated financial entities	Other	Total March 31, 2016
Trade receivables	\$ 89,031	\$ -	\$ 89,031
Allowance for doubtful accounts	(480)	-	(480)
Trade receivables, net	88,551	-	88,551
Other			
Related parties	-	3,173	3,173
Other receivables	-	13,490	13,490
Total other	-	16,663	16,663
Total	\$ 88,551	\$ 16,663	\$ 105,214
% of Total exposure	84.2 %	15.8 %	100.0 %

FCAC records an allowance for doubtful accounts considering the age of an outstanding receivable and the likelihood of its collection. Provisions are also made where collection of the receivable is doubtful based on information gathered through collection efforts. An allowance is reversed once collection of the debt is successful or the amount is written off. Impairment losses on accounts receivable recognized during the six months ended September 30, 2016, were Nil (March 31, 2016: \$480). Recoveries during the same period totaled \$480 (March 31, 2016: \$6000).

A trade receivable will be considered to be impaired and written off when FCAC is certain that collection will not occur and all requirements of the *Debt Write-Off Regulations, 1994* have been met. A total of Nil was written off during the six months ended September, 2016 (March 31, 2016: \$5,000). During the six month period ended September 30, 2016, no interest was earned on impaired assets and none of the past due amounts were renegotiated. Those that are neither past due nor provided for or impaired are considered to be fully collectible.

Financial Consumer Agency of Canada

Notes to the Financial Statements

**For the three and six months ended September 30, 2016 (unaudited)
(in Canadian dollars)**

6. Trade and other receivables (continued)

As at September 30, 2016 the aging of non-related party trade receivables was as follows (for terms and conditions relating to related party receivables, refer to Note 7):

Days outstanding	Current	31-60	61-90	91-120	> 120	Total
September 30, 2016	\$ 1,000	\$ -	\$ -	\$ -	\$ 1,000	2,000
March 31, 2016	\$ -	\$ -	\$ 88,551	\$ -	\$ 480	89,031

All assessments receivable and accrued assessments are recoverable from federally regulated financial entities (includes banks, trust and loan companies, life insurance companies, property and casualty insurance companies, retail associations, payment card network operators and external complaint bodies). FCAC regulates over 350 financial entities and does not have a significant receivable from any individual financial entity.

Refer to Note 14 c) for further information on credit risk applicable to FCAC.

7. Related party transactions

a) The ultimate parent

The Government of Canada is the ultimate parent of FCAC, and has control over FCAC.

b) Compensation of key management personnel

Key management personnel includes the following positions: the Commissioner, Deputy Commissioner, Financial Literacy Leader, and Directors of FCAC. Total compensation paid to key management personnel for the six months ended September 30 is provided in the table below.

	2016	2015
Short-term employee benefits	\$ 847,257	\$ 822,979
Post-employment benefits	106,395	109,159
Other long-term benefits	5,723	6,088
Total	\$ 959,375	\$ 938,226
Average number of employees	9	9

Financial Consumer Agency of Canada

Notes to the Financial Statements

**For the three and six months ended September 30, 2016 (unaudited)
(in Canadian dollars)**

7. Related party transactions (continued)

c) Government related entities

FCAC is related, in terms of common ownership, to all Government of Canada departments, agencies and crown corporations. FCAC enters into transactions with these entities in the normal course of business and on normal trade terms.

During the six months ended September 30, 2016, FCAC purchased goods and services for \$2,710,278 (2015 - \$2,417,785) and earned revenue of \$130,965 (2015 - \$130,386) from transactions with other government departments. Individually these transactions were in the normal course of business. Although most transactions are not individually significant, FCAC did have the following individually significant transactions:

Entity	Nature	2016 Expenditures	2016 Payable	2015 Expenditures	2015 Payable
Treasury Board Secretariat	Pension contributions and other employee benefits	\$ 1,211,749	\$ 225,153	\$ 1,036,095	\$ 170,899
Public Services and Procurement Canada	Accommodation, translation services and other services	511,760	69,187	427,189	34,642
Canadian Human Rights Commission	Human resources services	224,429	69,398	158,272	-
Office of the Superintendent of Financial Institutions	Finance and actuarial services	189,951	18,068	190,123	244,459
Department of Justice	Legal services	129,551	-	121,327	17,155
Shared Services Canada	Communication and other services	86,400	18,384	72,674	50,348
Employment and Social Development Canada	Research Services	-	-	168,000	-

As at September 30, 2016, the amounts of trade receivables and trade and other payables from these related parties are \$95,183 (March 31, 2016 - \$3,173) and \$531,353 (March 31, 2016 - \$253,661), respectively.

FCAC was granted a statutory expenditure of up to \$ 5,000,000 for the fiscal year ended March 31, 2017 (2016 - \$ 5,000,000) to support, collaborate and coordinate its activities and efforts with stakeholders to improve and strengthen the financial literacy of Canadians. During the six months ended September 30, 2016, FCAC spent \$1,583,447 (2015 - \$1,709,024) of this amount.

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Notes to the Financial Statements

For the three and six months ended September 30, 2016 (unaudited)
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8. Property, plant and equipment

Cost	Leasehold improvements	Furniture and fixtures	Office equipment	Informatics hardware	Informatics software	Total
Balance at March 31, 2015	\$ 922,463	\$ 920,980	\$ 58,531	\$ 531,684	\$ 20,244	\$2,453,902
Additions	-	6,339	-	65,115	-	71,454
Disposals/transfers of assets	-	-	(17,526)	(221,001)	-	(238,527)
Balance at March 31, 2016	\$ 922,463	\$ 927,319	\$ 41,005	\$ 375,798	\$ 20,244	\$2,286,829
Additions	-	4,000	-	104,527	-	108,527
Balance at September 30, 2016	\$ 922,463	\$ 931,319	\$ 41,005	\$ 480,325	\$ 20,244	\$2,395,356
Accumulated depreciation and impairment						
Balance at March 31, 2015	\$ 922,463	\$ 733,344	\$ 57,567	\$ 345,120	\$ 20,244	\$2,078,738
Disposals/transfers of assets	-	-	(17,526)	(221,001)	-	(238,527)
Depreciation expense	-	46,895	964	87,644	-	135,503
Balance at March 31, 2016	\$ 922,463	\$ 780,239	\$ 41,005	\$ 211,763	\$ 20,244	\$1,975,714
Depreciation expense	-	23,387	-	54,498	-	77,885
Balance at September 30, 2016	\$ 922,463	\$ 803,626	\$ 41,005	\$ 266,261	\$ 20,244	\$2,053,599
Net book value						Total
Balance at March 31, 2016	\$ -	\$ 147,080	\$ -	\$ 164,035	\$ -	\$ 311,115
Balance at September 30, 2016	\$ -	\$ 127,693	\$ -	\$ 214,064	\$ -	\$ 341,757

None of the assets held have any restriction on title and none of the assets have been pledged as security for liabilities. As at September 30, 2016, FCAC had \$1,664,454 of capital assets at cost that were fully depreciated and still in use. These assets are near the end of their useful life and their fair value is insignificant.

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Notes to the Financial Statements

For the three and six months ended September 30, 2016 (unaudited)
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9. Intangible assets

	Software	Software under development	Total
Cost			
Balance at March 31, 2015	\$ 655,986	\$ 410,723	\$ 1,066,709
Additions	25,228	73,414	98,642
Transfer to in use	484,137	(484,137)	-
Disposals/transfers of assets	(27,042)	-	(27,042)
Balance at March 31, 2016	\$ 1,138,309	\$ -	\$ 1,138,309
Additions	33,022	-	33,022
Balance at September 30, 2016	\$ 1,171,331	\$ -	\$ 1,171,331
Accumulated amortization			
Balance at March 31, 2015	\$ 211,047	\$ -	\$ 211,047
Amortization	164,469	-	164,469
Dispositions	(27,042)	-	(27,042)
Balance at March 31, 2016	\$ 348,474	\$ -	\$ 348,474
Amortization	108,282	-	108,282
Balance at September 30, 2016	\$ 456,756	\$ -	\$ 456,756
Net book value			
Balance at March 31, 2016	\$ 789,835	\$ -	\$ 789,835
Balance at September 30, 2016	\$ 714,575	\$ -	\$ 714,575

As at September 30, 2016, FCAC had \$93,797 intangible assets at cost that were fully amortized and still in use. These assets are near the end of their useful life and their fair value is insignificant.

10. Employee benefits

a) Post-employment benefits

i. Pension benefits

Substantially all of the employees of FCAC are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and FCAC. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at the end of the period was 11.012 % (2015 - 11.242 %). Total contributions of \$547,950 (2015 - \$470,519), were recognized as expense in the current period.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2 percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

Financial Consumer Agency of Canada

Notes to the Financial Statements

For the three and six months ended September 30, 2016 (unaudited) (in Canadian dollars)

10. Employee benefits (continued)

ii. Severance benefits

Information about FCAC's severance benefit plan is presented in the table below.

	September 30, 2016	March 31, 2016
Accrued benefit obligation, beginning of the period	\$ 185,503	\$ 169,358
Current service cost	5,251	8,468
Interest cost	3,439	5,615
Benefits paid	-	(21,656)
Actuarial loss	-	23,718
Accrued benefit obligation, end of the period¹	\$ 194,193	\$ 185,503
Current portion of accrued benefit obligation, end of the period	\$ 17,779	\$ 9,764
Long-term portion of accrued benefit obligation, end of the period	176,414	175,739
Accrued benefit obligation, end of the period¹	\$ 194,193	\$ 185,503
Net benefit plan cost		
Current service cost	5,251	8,468
Interest cost	3,439	5,615
Actuarial loss	-	23,718
Benefit cost	\$ 8,690	\$ 37,801

1 The cost corresponding to annual changes in the accrued benefit liability is recovered from FCAC's various sources of revenue outlined in Note 4(i) to the financial statements. Amounts collected in excess of benefits paid are presented on the *Statement of financial position* under the heading of Cash entitlement.

Annually, as at March 31 of each year, FCAC obtains an actuarial valuation of its accrued benefit obligation. Cumulative actuarial losses (gains) recorded in income since April 1, 2010, the date of FCAC's transition to IFRS is \$155,348 (2015 - \$131,630).

The significant actuarial assumption adopted in measuring FCAC's accrued benefit obligation is a discount rate of 3.73% (2015 - 3.45%). For measurement purposes, management's best estimate for the general salary increases to estimate the current service cost and the accrued benefit obligation as at March 31, 2016 is an annual economic increase of 1.0% for the plan year 2017 and 2018 (2015 - 0.5% for the plan year 2016 and 2017). Thereafter, an annual economic increase of 1.0% is assumed (2015 - 1.0%). The average remaining service period of active employees covered by the benefit plan is 17 years (2015 - 16 years).

Financial Consumer Agency of Canada

Notes to the Financial Statements

**For the three and six months ended September 30, 2016 (unaudited)
(in Canadian dollars)**

10. Employee benefits (continued)

Amounts for the current and previous four periods are as follows:

Employee benefits - severance	Accrued benefit obligation	Actuarial losses (gains) recognized during the period
September 30, 2016	\$ 194,193	\$ -
March 31, 2016	185,503	23,718
March 31, 2015	169,358	(4,271)
March 31, 2014	227,349	68,640
March 31, 2013	\$ 570,785	81,270

Sensitivity analysis

The discount rate used to estimate the present value of the severance benefit obligation has a significant effect on the obligation at the end of the year, as well as on the current service and interest costs. A 1.0% change in the discount rate would have had the following effects for 2016.

Change in discount rate of 1.0%	Increase	Decrease
Accrued benefit obligation	\$(19,173)	\$ 22,927

These sensitivities are hypothetical and should be used with caution. The relationship of a change in assumption to the change in value may not be linear. Changes in one factor may result in changes in another which may magnify or counteract the sensitivities.

Financial Consumer Agency of Canada

Notes to the Financial Statements

For the three and six months ended September 30, 2016 (unaudited) (in Canadian dollars)

10. Employee benefits (continued)

b) Other long-term benefits

i. Sick leave

Information about FCAC's sick leave plan is presented in the table below.

	September 30, 2016	March 31, 2016
Accrued benefit obligation, beginning of the period	\$ 370,363	\$ 373,544
Current service cost	27,495	59,469
Interest cost	7,377	13,831
Benefits used	(6,641)	(11,656)
Actuarial gain	-	(64,825)
Accrued benefit obligation, end of the period¹	\$ 398,594	\$ 370,363
Net benefit plan cost		
Current service cost	27,495	59,469
Interest cost	7,377	13,831
Actuarial gain	-	(64,825)
Benefit cost	\$ 34,872	\$ 8,475

1 The cost corresponding to annual changes in the accrued benefit liability is recovered from FCAC's various sources of revenue outlined in Note 4(i) to the financial statements. Amounts collected in excess of benefits paid are presented on the *Statement of financial position* under the heading of Cash entitlement.

Annually, as at March 31 of each year, FCAC obtains an actuarial valuation of its accrued benefit obligation. Actuarial assumptions are reviewed at each valuation date. Cumulative actuarial losses recorded in income since April 1, 2010, the date of FCAC's transition to IFRS is \$166,499 (2015 - \$231,324).

The significant actuarial assumption adopted in measuring FCAC's accrued benefit obligation is a discount rate of 3.73% (2015 - 3.48%). For measurement purposes, management's best estimate for the general salary increases to estimate the current service cost and the accrued benefit obligation as at March 31, 2016 is an annual economic increase of 1.0% for the plan year 2017 and 2018 (2015 - 0.5% for 2016 and 2017). Thereafter, an annual economic increase of 1.0% is assumed (2015 - 1.0%). The average remaining service period of active employees covered by the benefit plan is 17 years (2015 - 16 years).

Financial Consumer Agency of Canada

Notes to the Financial Statements

For the three and six months ended September 30, 2016 (unaudited)
(in Canadian dollars)

10. Employee benefits (continued)

Amounts for the current and previous four periods are as follows:

Employee benefits - sick leave	Accrued benefit obligation	Actuarial (gains) losses recognized during the period
September 30, 2016	\$ 398,594	\$ -
March 31, 2016	370,363	(64,825)
March 31, 2015	373,544	39,871
March 31, 2014	313,927	(70,122)
March 31, 2013	325,749	56,109

Sensitivity analysis

The discount rate and sick leave usage rate used to estimate the present value of the sick leave obligation has a significant effect on the obligation at the end of the year, as well as on the current service and interest costs. A 1.0% change in the discount rate or the sick leave usage rate would have had the following effects for 2016.

Change in discount rate of 1.0%	Increase	Decrease
Accrued benefit obligation	\$ (44,770)	\$ 54,032
Change in usage rate of 1.0%	Increase	Decrease
Accrued benefit obligation	\$ 17,032	\$ (17,032)

These sensitivities are hypothetical and should be used with caution. The relationship of a change in assumption to the change in value may not be linear. Changes in one factor may result in changes in another which may magnify or counteract the sensitivities.

11. Administrative monetary penalties

Administrative monetary penalties levied by FCAC are remitted to the CRF. The funds are not available for use by FCAC and, as a result, the penalties do not reduce the amount that FCAC assesses the industry in respect of its operating costs.

In the period ended September 30, 2016, FCAC levied \$Nil (2015 - \$Nil) in administrative monetary penalties.

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Notes to the Financial Statements

For the three and six months ended September 30, 2016 (unaudited)
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12. Operating lease arrangements

Minimum lease payments under operating leases recognized as an expense during the six months period ended September 30, 2016 were \$848,195 (2015 - \$768,554).

FCAC has entered into operating lease agreements for office space and office equipment and contracts for services. These leases have an average life of between one and four years with no renewal option included in the contracts. There are no restrictions placed upon FCAC when entering into these leases. The minimum aggregate annual payments for future fiscal years are as follows:

	2016	2015
Within one year	\$ 1,208,181	\$ 1,465,229
After one year but not more than five years	1,419,859	3,569,342
More than five years	-	-
Total	\$ 2,628,040	\$ 5,034,571

13. Human resources expense

	For the three months ended September 30, 2016	For the three months ended September 30, 2015	For the six months ended September 30, 2016	For the six months ended September 30, 2015
Wages and salaries	\$ 2,301,448	\$ 2,010,684	\$ 4,495,861	\$ 3,951,184
Other benefits	420,788	348,451	844,040	690,198
Post-employment benefits other than severance	281,026	238,904	547,950	470,519
Other personnel costs	3,093	21,853	25,417	29,945
Severance benefits	4,344	3,412	8,690	7,162
Total human resources expense	\$ 3,010,699	\$ 2,623,304	\$ 5,921,958	\$ 5,149,008

Financial Consumer Agency of Canada

Notes to the Financial Statements

**For the three and six months ended September 30, 2016 (unaudited)
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14. Financial risk management

FCAC's financial liabilities include Trade and other payables, and Unearned assessments. The main purpose of these liabilities is to provide short-term financing for FCAC's operations. Financial assets include Cash entitlement, Accrued assessments, Trade and other receivables.

FCAC is exposed to market risk, credit risk and liquidity risk in connection with financial instruments.

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. FCAC is exposed to currency risk on any amounts payable that are to be settled in a currency other than the Canadian dollar, and is exposed to interest rate risk as discussed below. FCAC is not exposed to other price risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. FCAC's exposure to the risk of changes in foreign exchange rates relates primarily to the Agency's operating activities (when expenses are denominated in a currency other than the Canadian dollar).

FCAC manages its exposure to currency risk by structuring its contracts in Canadian dollars wherever possible. The majority of FCAC's transactions are denominated in Canadian dollars; consequently, FCAC's exposure to currency risk is insignificant.

There is no impact to revenue since all billings are done in Canadian dollars.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. FCAC's exposure to the risk of market interest rates relates primarily to FCAC's loans payable with floating interest rate as determined by the Department of Finance Canada. FCAC attempts to reduce the borrowings necessary by effectively forecasting its required cash flows from assessments from financial entities. FCAC is not authorized to enter into any arrangements in order to reduce its exposure to interest rate risk.

The table below demonstrates the sensitivity of FCAC's operating expenses to a one-percentage-point fluctuation in market interest rates, with all other variables held constant.

	Fluctuation in interest rate	Effect on expenses
September 30, 2016	+1%	\$ 5,534
	-1%	(5,534)
September 30, 2015	+1%	\$ 12,795
	-1%	(12,795)

Financial Consumer Agency of Canada

Notes to the Financial Statements

**For the three and six months ended September 30, 2016 (unaudited)
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14. Financial risk management (continued)

c) Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument, resulting in a financial loss for FCAC. The maximum exposure FCAC has to credit risk as at September 30, 2016, is \$6,737,642 (March 31 2016: \$105,214), which is equal to the carrying value of its Trade Receivables, Accrued Assessments, and Other Receivables.

All federally regulated financial entities are required to register with FCAC and pay the assessments as established by FCAC. Any loss incurred by FCAC as a result of a counterparty's not meeting its obligations is recorded in the year incurred and collected in the following year, as outlined in the FCAC Act. All remaining receivables are with other government organizations, where there is minimal potential risk of loss. FCAC does not hold collateral as security.

d) Liquidity risk

Liquidity risk is the risk that FCAC will encounter difficulty in meeting obligations associated with current and future financial liabilities. FCAC's objective is to maintain sufficient Cash entitlement through collection of assessments and fees in order to meet its operating requirements. FCAC manages liquidity risk through a detailed annual planning and billing process, which is structured to allow for sufficient liquidity from one billing period to the next. FCAC's objective is to accurately estimate its operating costs for the year in order to accurately estimate the assessments and fees to be collected from federally regulated financial entities.

FCAC's policy is to satisfy liabilities by the following means (in decreasing order of priority):

- Cash entitlement
- Borrowings from the CRF

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Notes to the Financial Statements

For the three and six months ended September 30, 2016 (unaudited)
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14. Financial risk management (continued)

The table below summarizes the maturity profile of FCAC's financial liabilities at September 30, 2016 and March 31, 2016, based on contractual undiscounted payments. When the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which FCAC can be required to pay. When amounts are due in installments, each installment is allocated to the earliest period in which FCAC can be required to pay.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	September 30, 2016 Total
Trade and other payables	\$ 402,813	\$1,570,718	\$ 227,068	\$ -	\$ -	2,200,599
Unearned assessments	-	-	445,055	-	-	445,055
Total	\$ 402,813	\$1,570,718	\$ 672,123	\$ -	\$ -	2,645,654

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	March 31, 2016 Total
Trade and other payables	\$ 384,124	\$1,828,649	\$ 421,800	\$ -	\$ -	2,634,573
Unearned assessments	-	-	445,055	-	-	445,055
Total	\$ 384,124	\$1,828,649	\$ 866,855	\$ -	\$ -	3,079,628

Balances due within 12 months equal their carrying amounts, as the impact of discounting is insignificant.

By March 31 of each year, the Commissioner must determine the total expenses incurred by the Agency during the preceding fiscal year for, or in connection with, the administration of the FCAC Act and the consumer provisions. The Commissioner then assesses each federally regulated financial entity a portion of these expenses, as determined by regulation or the financial assessment methodology of payment card network operators. Interim assessments are also possible. To temporarily fund expenses until entities are assessed, before March 31 of each year the Agency must seek Ministerial authority to borrow from the CRF for the next fiscal year, up to a predetermined limit. The authority to borrow from the CRF is granted under section 13 of the FCAC Act. For the year ended March 31, 2017, the Minister has approved up to \$11,000,000 (2016: \$11,000,000). All amounts borrowed must be repaid within one year. The Agency pays interest on the funds borrowed as described under "Interest rate risk."

As at September, 2016 FCAC used \$6,000,000 (September 2015 - \$5,000,000) of this facility.

Refer to Note 1 for further information on FCAC's authority.

The liquidity of FCAC's financial assets is outlined in Note 6, "Trade and other receivables."

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15. Government funding

FCAC was granted a statutory expenditure of up to \$ 5,000,000 for the fiscal year ended March 31, 2017 (2016 - \$ 5,000,000) to support, collaborate and coordinate its activities and efforts with stakeholders to improve and strengthen the financial literacy of Canadians. During the period ended September 30, 2016, FCAC used \$1,583,447 (2015 – \$1,709,024) of this amount.

16. Deficiency

Accumulated Deficit – \$46,533 of Accumulated deficit was created as part of FCAC's transition to IFRS from Canadian generally accepted accounting principles on April 1, 2010. This balance was reduced by \$32,564 as a result of operations during the year ended March 31, 2011 under IFRS. The balance has not changed since the transition to IFRS.

Capital Management - FCAC includes its Accumulated deficit, entitled "Deficiency", in its definition of capital. FCAC is prohibited from issuing its own capital or its own debt to meet any capital requirements. FCAC operates on a cost recovery basis. Its objective when managing capital is to closely manage actual costs to those estimated and communicated to its paying stakeholders. Any operating shortfall or excess is factored into the assessments and fees charged to regulated entities in the following year. FCAC fully recovered all of its costs incurred in the period.

FCAC is not subject to any externally imposed capital requirement.

FCAC did not change its capital management objectives, policies or processes during the period ended September 30, 2016.